

FEDERAL WAY SCHOOL DISTRICT NO. 210
King County, Washington
September 1, 1995 Through August 31, 1996

Schedule Of Findings

1. District Should Improve Internal Controls Over Cash Receipting Activities

During our review of one third of the district's schools, we noted the following cash handling and Associated Student Body (ASB) activity internal control weaknesses:

a. Receipting:

(1) At most of the schools we visited, ASB bookkeepers were accepting remittances without adequate supporting documentation.

(2) At most schools, the fiscal clerks controlled cash receipts from receiving to depositing, with no monitoring for completeness and accuracy.

(3) At most schools, checks were restrictively endorsed when processed for deposit rather than upon receipt.

(4) At the secondary schools, the official prenumbered receipt forms did not provide space to indicate mode of payment (cash or check). Without an indication of mode of payment, management cannot be sure that all money received was deposited to the bank intact.

(5) We noted an instance at one elementary school where the third file copy of the prenumbered receipt was cut from the book and used as refund documentation. The school is now retaining and filing the third copy.

(6) No summary of receipts was prepared by the Training and Development Office when making deposits with the district cashier. We requested a summary for the January 13, 1997, deposit and found the deposit short \$20. The \$20 was included in the next day's deposit.

(7) While central administration followed cash receipting procedures, those procedures were not in writing.

b. Depositing:

(1) In several instances, revenues were not deposited on a timely basis. Cash and checks, exceeding \$100, were held up to a week before deposit.

(2) Receipt transmittals remitted by the schools to central accounting office did not reflect the cash/check composition of the deposit. Central accounting agreed the total deposit per the transmittal to the validated deposit ticket but did not

verify the cash and check composition.

(3) Funds collected by the Training and Development Office were not deposited with the district cashier on a timely basis. Funds received before Christmas vacation (December 20th) were not deposited until January 13, 1997.

c. Fund Raisers:

(1) At many schools we visited, we found instances of fund raising with no evidence of preapproval, inadequate support for revenues received, unspecified durations of event sales, and no reconciliations of quantities sold to recorded revenues.

(2) We noted ASB advisors were not retaining support for ASB fund raisers.

d. Vending Machine:

(1) At one school, the vending machine located in the faculty room was controlled and operated by the school handicapped students. Receipts were not deposited intact. Coins, not sufficient to be rolled, were left in the vending machine.

(2) At the same school, the number of soft drinks sold, multiplied by the selling price per can, did not agree with the amount deposited. The sales report lacked advisor review of the correctness of the amount received and the number of drinks sold. There was no accountability for the soft drinks purchased.

e. Imprest/Revolving Funds:

(1) Reconciliation of the district's Travel Advance Fund on January 10, 1997, indicated seven advance travel checks issued from October 23, 1996, through December 11, 1996, had not been settled. RCW 42.24.150 requires settlement of advances be made by filing an expense voucher with the custodian of the fund on or before the 15th day following the close of the travel period. Any default in accounting for or repaying an advance renders the full amount unpaid due immediately and payable with interest at the rate of 10 percent per annum.

(2) At most schools, imprest and revolving funds were maintained by a fiscal clerk with total responsibility for the funds, from preparing checks to reconciling the bank accounts.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him with the treasurer of the taxing district once every twenty four consecutive hours.

RCW 43.09.200 states in part:

The systems shall exhibit true accounts and detailed statement of funds collected, received and expended for account of the public for any purpose whatever, and by all public officers, employees or other persons.

The accounts shall show the receipts, use and disposition of all public property . . . all receipts, vouchers and other documentation kept, or required to be kept, necessary to isolate and prove the validity of every transaction

RCW 28A.325.030 states in part:

There is hereby created a fund on deposit with each county treasurer for each school of the county having an associated student body as defined in RCW 28A.325.020. Such fund shall be known as the associated student body program fund. Rules and regulations promulgated by the superintendent of public instruction under RCW 28A.325.020 shall require separate accounting for each associated student body's transactions in the school district's associated student body program fund.

WAC 392-138-305 states in part:

. . . All associated student body moneys, upon receipt, shall be transmitted to the district depository bank and then to the county treasurer

These weaknesses allow the possibility for errors and irregularities to occur and not be detected in a timely manner. Further, the students, for whom the ASB fund exists, may not receive the full benefit of their fund-raising efforts.

These conditions existed due to the lack of emphasis placed on ASB activities at the school level as well as activities in the central administration. We also noted lack of monitoring of ASB activities from central administration.

We recommend district officials implement adequate policies and procedures to improve cash receipting and disbursing procedures, and provide timely monitoring of ASB activities.

Auditee's Response

We concur that material weaknesses in cash receipting procedures may allow the possibility for errors and irregularities to occur and not be detected in a timely manner.

It is our understanding that the above audit finding consists of a list of minor weaknesses which primarily relate to ASB activities. Furthermore, the auditors have exercised their judgment that these minor weaknesses when grouped together represent a material weakness worthy of reporting. The district administration regards ASB activities seriously and continually endeavors to effectively implement policies and procedures as outlined by the ASB manual. The schools are aware of the minor weaknesses and have implemented or are in the process of implementing your recommendations. In addition, we plan to implement internal audit procedures to enhance the timely monitoring of our ASB activities.

It is significant to note that ASB activities only contribute less than 2% to the entire district's 1995-1996 expenditures, and that these minor weaknesses in the cash receipting and disbursing procedures are unlikely to result in errors or irregularities in amounts that would be material in relation to the financial statements being audited.

Auditor's Concluding Remarks

As stated in our audit report on internal control structure, we consider these weaknesses to be reportable conditions. As further stated, we believe none of these reportable conditions, individually or in the aggregate, is a material weakness. The district's responsibility to safeguard (and our responsibility to audit) public funds, goes far beyond amounts that would be material in relation to the financial statements.

Based upon the response, the issues delineated in our report appear to have been addressed. We will review these areas again in our subsequent audit.

We would like to express our appreciation to staff for their assistance and cooperation throughout the audit process.